

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 IO-12 ADP-00 SCEM-02 SIL-01 LAB-06 AF-10

NEA-10 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 EB-11

FRB-02 H-02 INR-10 INT-08 L-03 NSAE-00 NSC-10 PA-03

RSC-01 AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00

USIA-12 PRS-01 OMB-01 RSR-01 /212 W
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R 120838 Z APR 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5038

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION GENEVA

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LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 1999

E. O. 11652: N/ A

TAGS: ETRD, US, EEC

SUBJECT: US- EC CONSULTATIONS: FOLLOW- UP TALKS ON NTB' S

REFS: EC BRUSSELS 1602

1. SUMMARY. AS AGREED AT THE RECENT US- EC CONSULTATIONS
A US DELEGATION LED BY AMBASSADOR MALMGREN
WITH RENNER (STATE) AND WORTHINGTON (TREASURY) MET
ON APRIL 10 WITH EC OFFICIALS HEADED BY HIJZEN
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AND BRAUN IN FOLLOW- UP TALKS ON NTB' S. THE TALKS AFFORDED BOTH SIDES THE OPPORTUNITY TO DISCUSS THEIR PHILOSOPHY TOWARD NTB' S RELATING SPECIFICALLY TO (A) THE FORTHCOMING MTN, (B) POST- MTN ARRANGEMENTS, AND (C) MAJOR NTB' S, NOTABLY GOVERNMENT PROCUREMENT, AND INDUSTRIAL STANDARDS. IT WAS AGREED THAT THIS FORUM WAS A USEFUL MEANS FOR THE EXCHANGE OF VIEWS AS BOTH SIDES PREPARED THEIR PRELIMINARY POSITIONS FOR THE MTN. THIS TELEGRAM WAS PREPARED AFTER DEPARTURE OF THE WASHINGTON PARTICIPANTS. END SUMMARY.

2. COMMISSION PRIORITIES. IN A LUNCHEON MEETING PRIOR TO THE FORMAL DISCUSSION, EC COMMISSIONER GUNDELACH INDICATED HIS PERSONAL VIEWS ON HOW TO APPROACH THE NTB ISSUE IN PREPARATION FOR THE MTN. HE BELIEVES THAT THE SCOPE AND NUMBER OF NTB' S PREQUIRES CONCENTRATION ON THE MOST SIGNIFICANT PROBLEMS. HE SINGLED OUT GOVERNMENT PROCUREMENT AND INDUSTRIAL STANDARDS AS THE TWO PRIMARY EXAMPLES. THESE MAJOR AREAS, WHERE AGREEMENTS WOULD INVOLVE MUTUAL COMMITMENTS AMOG THE MAJOR TRADING PARTNERS, WOULD BE GIVEN PRIORITY OVER THE VAST NUMBER OF SPECIFIC NTB' S, AT LEAST INITIALLY.

3. MULTILATERAL NEGOTIATIONS. BRAUN SAID IN OPENING THE FORMAL DISCUSSION THAT NTB' S SHOULD BE CONSIDERED IN THE OVERALL CONTEXT OF THE MTN AND, LIKE GUNDELACH, SUGGESTED COCENTRATION ON THE BIG GENERAL ISSUES SUCH AS GOVERNMENT PROCUREMENT. BASICALLY THE COMMISSION' S APPROACH IS THAT NTB' S OF THIS TYPE SHOULD BE DEALT WITH IN CODES CONTAINING COMPARABLE ENGAGEMENTS. THE CODES SHOULD BE DRAFTED WITHOUT REFERENCE TO " QUANTITATIVE" RECIPROCITY, HOWEVER. THEY WOULD BE SELF- BALANCING IN THE SENSE THAT THEY CONTAINED SIMILAR OBLIGATIONS FOR ALL THE PARTIES. THEY WOULD NOT NECESSARILY BE SELF- BALANCING IN TERMS OF THE COST TO EACH PARTY. ONCE THE CODE IS DRAFTED THEN ITS COSTS AND BENEFITS COOULD BE DETERMINED, AND IT COULD BE PUT INTO AN OVERALL PACKAGE AND BALANCED OFF, IF NECESSARY, AGAINST COSTS AND BENEFITS INCURRED IN OTHERAREAS. THERE WOULD THUS BE AN OVERALL RECIPROCITY. SPECIFICALLY, BRAUN ENVISAGED CODES WHICH WOULD PROVIDE FOR INTERNATIONAL DISCIPLINE COVERING SUCH THINGS AS ADEQUATE ADVANCE PUBLIC LIMITED OFFICIAL USE

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LIC ACTION, PRIOR NOTIFICATION, THE POSSIBILITY TO EXAMINE

PLANS AND PROPOSALS, ETC. RENNER EXPRESSED GENERAL AGREEMENT WITH MUCH OF BRAUN' S PRESENTATION.

4. RENNER POINTED OUT, HOWEVER, THAT, TO THE EXTENT POSSIBLE, THE CODES SHOULD HAVE A SELF- CONTAINED RECIPROCITY AND NOT RELY ON EXTERNAL BALANCING FACTORS. HE SHARED THE VIEW THAT ONLY THE MOST IMPORTANT COULD ACTUALLY BE DEALT WITH IN THE MTN. THE US ALEO WISHES TO SEE A MECHANISM ESTABLISHED TO RESOLVE OTHER, SPECIFIC NTB' S INCLUDING THOSE THAT CANNOT BE RESOLVED DURING THE MTN OR THAT MAY EMERGE ONLY AT THE LATER STAGE.

5. MALMGREN EMPHASIZED THE NEED TO PUT NON- TARIFF DEVICES UNDER SOME FRAMEWORK OF RULES AND PROCEDURES TO REGULARIZE THE CONDITIONS OF TRADE. HE EMPHASIZED THE NEED FOR NEW BOUNDARIES FOR ACTION WHICH WOULD (A) OPERATE TO PROVIDE GUIDELINES IN THE FUTURE, AS WELL AS THE PRESENT AND (B) COVER A BROADER AREA THAN THE TRADITIONAL NTB' S. HE WOULD INCLUDE REGIONAL POLICY PROGRAMS, EXPORT STIMULATION PROGRAMS, AND IMPORT SUBSTITUTION PROGRAMS. HE ALSO EMPHASIZED THE NEED TO PRESS LDC' S TO SIMPLIFY AND PUBLIC THEIR ADMINISTRATIVE REGULATIONS CONCERNING IMPORTS.

6. HIJZEN AGREED WITH MANY OF THE US COMMENTS BUT NOTED THAT IN TRYING TO DEVELOP PROCEDURES TO COPE WITH PROSPECTIVE NTB' S, ONE IS CONFRONTED WITH COMPETING CONSIDERATIONS. FACTORS SUCH AS THE ENVIRONMENT AND QUALITY OF LIFE ARE INCREASINGLY BECOMING COMPETING OBJECTIVES OF GOVERNMENT POLICY. TO THE EXTENT THAT THIS IS TRUE, IT WILL BE DIFFICULT TO SET UP RULES FOR FUTURE NTB' S. BRAUN ADDED THAT REGIONAL POLICY IS, TO SOME EXTENT, THE
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7. GOVERNMENT PROCUREMENT. THE TWO NTB'S MOST FREQUENTLY REFERRED TO DURING THE DISCUSSION WERE GOVERNMENT PROCUREMENT AND INDUSTRIAL STANDARDS. (EARLY IN THE CONVERSATION, HOWEVER, RENNER NOTED THAT THE CAP WAS THE MAJOR COMMUNITY NTB FROM THE US POINT OF VIEW.) BRAUN NOTED IN HIS OPENING REMARKS THAT THE EC COUNCIL MAY ADOPT BY THE END OF THE YEAR THE COMMON EC GOVERNMENT PROCUREMENT DIRECTIVE. THIS HAS BEEN THE TOPIC OF PRIOR DISCUSSION WITH US OFFICIALS. THE OECD WORKING GROUPS STUDYING VARIOUS LIMITED OFFICIAL USE

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GOVERNMENT PROCUREMENT LIBERALIZATION MEASURES HAVE IN FACT TAKEN THIS INTO ACCOUNT AS A WORKING ASSUMPTION. THE ADOPTION OF THIS DIRECTIVE SHOULD PUT THE COMMUNITY IN A POSITION TO NEGOTIATE A RECIPROCAL AND COMPARABLE AGREEMENT ON A BROADER INTERNATIONAL BASIS. BRAUN COMMENDED THE WORK BEING DONE IN THE OECD. IT SHOULD PROCEED BUT SHOULD STOP SHORT OF ACTUALLY NEGOTIATING THE CONCESSIONS NECESSARY TO REACH FINAL AGREEMENT. AT THAT POINT THE SUBJECT SHOULD BE PLACED IN THE CONTEXT OF THE MTN WHERE IT WOULD BECOME AN ELEMENT IN THE OVERALL RECIPROCITY. BRAUN CONCLUDED BY NOTING TWO PROBLEMS WITH THE US ON GOVERNMENT PROCUREMENT. THE FIRST BEING THE FORMAL PREFERENCES CONNECTED WITH THE DEFENSE SECTOR. THE SECOND IS THE QUESTION OF STATE AND LOCAL REGULATIONS AND PRACTICES WHICH WILL CONDITION THE SCOPE OF AN EVENTUAL AGREEMENT.

8. RENNER SAID THAT GOVERNMENT PROCUREMENT IS AT THE TOP OF THE US LIST. HE NOTED THAT HE HAVE SOMEWHAT COMPARABLE

PROBLEMS WITH THE EC. THE COMMUNITY IS CONCERNED ABOUT THE FORMAL PREFERENCES RELATED TO THE US DEFENSE SECTOR. US CONCERN CENTERS ON THE INFORMAL PURCHASING PRACTICES AND PROCEDURES UNDER WHICH MEMBER STATE CONTRACTS ARE LET. THE US IS INTERESTED IN A MORE OPEN SYSTEM OF BIDDING AND A HARMONIZATION OF PROCEDURES WHICH WOULD AT LEAST PROVIDE FOR ROUGHLY SIMILAR DOMESTIC PROCUREMENT PREFERENCES AMONG THE CONTRACTING PARTIES. HE ALSO NOTED THAT THE COMMUNITY CONCERN ABOUT THE IMPLICATIONS OF THE US FEDERAL SYSTEM FOR AN INTERNATIONAL AGREEMENT IS MATCHED BY A US CONCERN ABOUT ITS APPLICABILITY TO, FOR EXAMPLE, THE GERMAN LEANDER.

9. TECHNICAL STANDARDS. RENNER SAID THAT THE US FEARS THAT THE EC MOVE FROM NATIONAL STANDARDS TO COMMUNITY STANDARDS WILL BE MADE AT THE EXPENSE OF THIRD COUNTRIES, PARTICULARLY THE UNITED STATES. THE COMMUNITY SYSTEM MUST BE DEVELOPED IN A LARGER CONTEXT. BRAUN SAID THAT THE EC HARMONIZATION PROGRAM HAS BROUGHT BENEFITS TO THIRD COUNTRIES, BUT RECOGNIZED THAT THEY HAVE BEEN OFFERED LITTLE VOICE IN THE DRAFTING PROCESS. AN INTERNATIONAL CODE SHOULD HELP WITH THE PROBLEMS SUCH AS THIS. HE ADDED THAT THERE IS A CURRENT BELIEF IN LIMITED OFFICIAL USE

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EUROPE THAT COMMUNITY ENTERPRISES HAVE BENEFITTED LITTLE IF AT ALL BY US STANDARDS HARMONIZATION MEASURES, DESPITE THE FORMAL OPPORTUNITY FOR CONSULTATION.

10. MISCELLANEOUS. THERE WERE A NUMBER OF OTHER POINTS MENTIONED IN THE MEETING. RENNER SAID THAT THE US WISHES TO SEE INTERNATIONAL RULES ON SUBSIDIES TIGHTENED UP AND STATED MORE CLEARLY. BRAUN SUGGESTED THAT THE US AND THE EC SHOULD DEVELOP A COMMON POSITION WITH RESPECT TO THE RIGHT OF ESTABLISHMENT IN JAPAN. THE RESULTS OF TARIFF REDUCTIONS WILL NOT BE FELT UNLESS FOREIGN ENTERPRISES ARE ALLOWED TO ESTABLISH DISTRIBUTION SYSTEMS IN JAPAN WHICH CAN COMPETE WITH THE LARGE JAPANESE TRADING COMPANIES.

8. THE TWO SIDES AGREED THAT FURTHER EXCHANGES ON NTB QUESTIONS WOULD BE HELPFUL AS BOTH PARTIES BEGAN TO FORMULATE THEIR POSITIONS FOR THE MTN. WORTHINGTON POINTED OUT THAT THIS PROCESS WOULD BE FACILITATED IF WE ALL FOCUSED UPON WHAT NEEDS TO BE REMEDIED, RATHER THAN ON THOSE ITEMS WE ARE MOST WILLING TO BARGAIN AWAY.

DECONTROL AFTER APRIL 11, 1974.
GREENWALD

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